

RURAL DEVELOPMENT COMMITTEE

Tuesday 27 March 2001
(*Afternoon*)

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RURAL DEVELOPMENT COMMITTEE

9th Meeting 2001, Session 1

CONVENER

*Alex Johnstone (North-East Scotland) (Con)

DEPUTY CONVENER

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

COMMITTEE MEMBERS

*Mrs Margaret Ewing (Moray) (SNP)

*Alex Fergusson (South of Scotland) (Con)

*Rhoda Grant (Highlands and Islands) (Lab)

*Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)

*Richard Lochhead (North-East Scotland) (SNP)

*Mrs Mary Mulligan (Linlithgow) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

*Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

*attended

WITNESSES

David Dickson (Scottish Executive Rural Affairs Department)

Andrew Douglas (Scottish Landowners Federation)

Rory Dutton (Scottish Crofters Union)

Tom Gray

Robin Haynes (Scottish Executive Rural Affairs Department)

Andy Robertson (Scottish Executive Rural Affairs Department)

Mr John R D Stewart

Jim Walker (National Farmers Union of Scotland)

CLERK TO THE COMMITTEE

Richard Davies

SENIOR ASSISTANT CLERK

Tracey Hawe

ASSISTANT CLERK

Jake Thomas

LOCATION

Committee Rooms 1 and 3

Scottish Parliament

Rural Development Committee

Tuesday 27 March 2001

(Afternoon)

[THE CONVENER *opened the meeting at 13:31*]

The Convener (Alex Johnstone): Good afternoon, ladies and gentlemen. The committee has a tight schedule today. One or two members who intend to be present will arrive during the meeting.

Foot-and-mouth disease does not appear on the agenda, but I intend to adjourn the meeting at 2.45 pm so that members can attend the Enterprise and Lifelong Learning Committee meeting to discuss issues surrounding foot and mouth and its impact on the tourist industry. We have the opportunity to discuss issues relating to foot and mouth when we reconvene at 3.45 pm. I intend to allow members to raise any additional matters that they wish to air during that discussion.

It is proposed that items 6 and 7 on today's agenda be dealt with in private. Item 6 relates to the choice of an adviser to the committee and item 7 is consideration of a draft report on land reform. It is normally our practice to deal with such issues in private. I ask the committee's permission to continue with that practice.

Members *indicated agreement.*

The Convener: We will therefore take items 6 and 7 in private.

Less Favoured Areas

The Convener: Item 2 on the agenda is the issue of less favoured areas. We will be required to deal with the statutory instrument that sets up the new scheme, so it is our intention today to take evidence from a number of organisations and individuals who have something to contribute to our discussion of the new less favoured areas scheme.

I welcome to the committee Mr John Stewart and Mr Tom Gray, who have submitted petitions on the issue. We will take evidence from the Scottish Crofters Union, the Scottish Landowners Federation and the National Farmers Union of Scotland. We will also have the opportunity to consult Executive officials.

Because of time constraints, I suggest that we invite the witnesses to make their statements brief. It might be better if any questions from members to Mr Gray and Mr Stewart are answered by correspondence. There may be a limited opportunity for questions to the SCU, SLF and NFUS after their representatives have spoken. Mr David Dickson, who represents the Executive, intends to make a brief opening statement.

David Dickson (Scottish Executive Rural Affairs Department): I thank the committee for giving me the opportunity to make a few comments on behalf of the Scottish Executive. I will be brief and my comments will be fairly general.

It is important that the Executive should comment, because LFA support is hugely important to Scotland. Scotland has the biggest LFA budget of any part of the United Kingdom and the biggest coverage of LFA anywhere. To understand where we are, it is as well to start with where we have come from, which is the Agenda 2000 negotiations. A key strategic objective of those negotiations was to make farming support more compatible with the World Trade Organisation's requirements and therefore less vulnerable to challenge in the next round of WTO negotiations. Export refunds and intervention were sliding off the agenda and direct farm support and area-based support were moving up it.

That meant that there were huge attractions to an area-based system, which would get the measures into the WTO's green box. The trouble was that, although the Council of Ministers was enthused and allured by that attraction, it did not necessarily discuss how it could be delivered. The decision in principle was taken and we were given the concept of area payments.

Even when we negotiated on the detail of the new area-based scheme, there were difficulties.

LFA support is only part of the rural development package, so it was horrendously difficult to focus the Commission on the implications of an area-based system for a country such as Scotland, which has extensive farming systems. We tried hard to engage with the Commission and to an extent we succeeded.

However, by the time we submitted our first set of proposals, which was based on the guidance that we had received from Commission officials, all the officials had changed. When we put the first set of proposals in place and the other parts of the UK were in the same position, we found that the Commission took a much harder line on what would and would not be acceptable. That partly explains why the process of consultation was truncated and results were delivered apace.

The outcome of all that was the current scheme. As the Minister for Environment and Rural Development has made clear, our scheme is designed to meet the circumstances in Scotland. Scotland has a much bigger farm structure than other parts of the UK do and there are huge variations in that structure. In crofting, there are spare-time, part-time and whole-time crofts; even the Scottish Crofters Union accepts that there is no such thing as a typical croft. There is no such thing as a typical farm. Solutions that deal with the generality of farming are far from straightforward; they are highly complex, as the committee will come to terms with when it has listened to today's other witnesses.

Our negotiations with the Commission were fair and frank but tough and constraining on what we could do. The Commission flatly turned down the proposals that there could be linkage to production—so that the system could reflect how much activity took place on the farm—or that the system could reflect previous payments. Similarly, we had difficulties in securing the type and duration of safety net that we would have preferred. That is not a criticism of the Commission—far from it. I am trying to explain the difficulties of putting in place a scheme in the shape that we would all like and that would meet all Scotland's needs from the start.

Commissioner Fischler is on record saying that the matter should be dealt with by subsidiarity. That message does not seem to have percolated down to his officials. We must be careful not to assume that adjusting the scheme is a matter of writing to the Commission saying, "We would like to change this or that." The Commission has firm ground rules, on which it bases and compares LFA support arrangements throughout the Community. Changes that we or anyone else put forward will be subject to scrutiny by the Commission. The probability is that we will be allowed to adjust and refine the scheme as it goes

along, but a fundamental review is more likely to happen midway through the scheme rather than yearly.

We now have a scheme in place. Our priority is to make it work this year, with the safety net, and to make payments as quickly as possible. I hope that by the end of the week we will have met our target of making about 80 per cent of payments on the usual time scale.

Our next priority is to assess the impact of the scheme on individuals, on regions within Scotland and on Scotland as a whole. We will see what the situation looks like once we have done the first series of genuine payments. We can then work with the committee that the minister insisted should be set up—it comprises the SCU, the SLF and the NFUS—to see how the scheme can be refined and adjusted.

I will close with two final points. The first is that, in any adjustment or refinement, a pound that goes in one direction has to be at the expense of somebody else's pound. That is important, but it is obvious.

Secondly, the notion that we can operate an area-based system and arrive at the same financial outcome as we did with the long-standing headage-based system is oversimplistic. It cannot be done in Scotland, England, or anywhere. The two systems are incompatible, which does not mean that we should not work to get better outcomes than we are currently getting in terms of the delivery of support to individuals. However, it is important that members realise that the outcomes of and philosophies behind headage-based systems and area-based systems are totally different. In any changes that we propose, we must be conscious that the Commission will take the view that the system is different from what we had before. It is not the long-standing headage-based approach.

The Convener: Committee members will have the opportunity to question the Executive officials later this afternoon.

We will progress swiftly on to Mr Gray and Mr Stewart, from whom we have received petitions and other submissions. As I said, there is a strong time constraint on this afternoon's proceedings, so I ask our witnesses to present their case briefly.

Tom Gray: Thank you for providing us—people outwith the usual suspects—with the opportunity to give evidence on the allocation of public funds to the farming industry. At this and, I hope, future meetings, it is my earnest wish to see addressed the practices of past decades that have driven the farming industry and the well-being of rural Scotland down a path of terminal decline. I mean, of course, the practice of allocating farming support proportional to the scale of enterprise and

more related to lack of need than to need itself.

This national travesty of enormous proportions has wreaked pointless devastation on all aspects of life in our countryside. Ultimately, Scotland is the loser as a result of such policies. For some three decades, we have developed a culture that is shrouded in secrecy and deception on the subject of the distribution of support to agriculture. Paying attention to the wishes of the greatest beneficiaries of support rather than to the wishes of those providing the support has become the norm.

13:45

Evidence of that is the fact that, although the NFUS was a key architect of our scheme, only at this late date is the Rural Development Committee of elected members of the Scottish Parliament addressing the issue of new support measures for less favoured areas. The alarming consequences, furore and division within the industry are well documented.

My interpretation is that Scots are content to support the farming industry because they wish to benefit from that support through sustained production of quality food, thriving rural communities, an improved, accessible countryside and a reasonable opportunity, if desired, to participate in the industry.

Rural Scotland and its agriculture will thrive when the relationship between people and the land is in harmony. Fair and reasonable allocation of the £500 million of annual support to agriculture should provide the platform to achieve that. Harmony does not prevail at present and I believe that it will not do so until capping is applied to all agricultural support.

With reference to the new measures to support the less favoured areas, a well-noted point was that Scotland is the only nation in the UK that did not adopt a capping policy. Through capping, in the English version of this social and environmental measure, the maximum payment to any producer will be £18,060. In Scotland, estimates of figures for individual claims are in the range of £250,000 to £500,000.

Much has been made of the fact that Scotland tends to have larger farms than the rest of the UK and Europe do—the average Scottish farm draws some four or five times the European average subsidy. What is rarely mentioned is that not only are our farms much larger but farmers often have significant numbers of large farms within their businesses. That development has prevailed simply because subsidy is applied irrespective of need, scale of enterprise or the number of farms that are farmed by a farmer.

The resultant decimation of our rural communities has been dramatic, perhaps no more so than in my home area, where no fewer than 69 family farms have been lost in recent decades, none of which were any less viable than those that remain and all of which are within five miles of my home. The area that I am talking about is only one hour up the road from here. Similar examples exist throughout Scotland. As tenants retire and move on, vacated farms are often farmed in hand by estates, which are free to gather the subsidies that are applicable. With similar incentives, farmers are free to add available farms to their holdings.

Among the many unsustainable trends resulting from this uncapped public support is the loss of opportunity to the people who are providing the support. It is clear to me that, as long as one individual is desirous of opportunity to live, work and be enterprising in rural Scotland, there is no reason why further public support to other well-established individuals who already enjoy such opportunity should contribute to the denial of opportunity to the individual seeking a foothold in the countryside.

The success of any support mechanism can be measured by the trends that it generates. With the most unbalanced land-tenure pattern in Europe already compounded by existing public support mechanisms, the tragedy is that, despite EU regulations offering capping and modulation measures to redress the imbalance, the scheme in Scotland will simply exacerbate our problems.

For the first time in my lifelong association with farming and rural Scotland, I believe that, through this committee, we have an opportunity to apply a democratic process and begin to put right the gross injustices that have, for centuries, confounded the lives of Scots and the tenure of their land. That will be effected not by any convoluted land reform measure but by the fair and equitable application of public funds to those who seek to live and work in our less favoured areas.

The Convener: I ask John Stewart to address us.

Mr John R D Stewart: The purpose of petition PE197 was to bring to the public domain the particulars of the distribution of agriculture subsidy payments. In order to illustrate the iniquity of the present situation, I contrasted the openness of the distribution of another subsidy—legal aid—with the secrecy surrounding agricultural aid. Such iniquity is unacceptable in a democratic society and is a good reason in itself for changing the agriculture system. There are, however, other cogent reasons for change.

Today's subject matter is a case in point. If the information was made available—and I stress that

it exists within the system—the amounts, numbers and whereabouts of those who have lost and won in the new LFA regime would not be a matter of speculation, but a matter of fact, and the forecast outcomes for future years would be much more accurate. In short, the committee would be properly equipped to do the job with which it is tasked.

If those were the only reasons to make the information public, the committee might consider that the argument lacks strength. However, another example from the recent past is the committee's examination of the changing patterns of rural employment. I ask you to consider how much more fruitful your deliberations might have been if you had been able to examine in detail the distribution of the £500 million that affects the rural economy annually.

Looking ahead, beyond the dismal foot-and-mouth disease crisis, I believe that it is extremely likely that farming will undergo great change. It would be better if that change was understood by an informed public and managed by people in full possession of the facts, rather than driven by vociferous, but largely ignorant, groups of people, such as extreme vegans, animal rights activists and conservationists with a tendency to overlook the fact that 60 million people require to be fed.

Some aspects of the current situation would be amusing were they not so serious. For example, Her Majesty's allocation from the Treasury is a matter of public knowledge, whereas the subsidy that she receives on her blackie yowes at Balmoral is a state secret. A freedom of information bill is under consideration in the Parliament, but the recipients of £500 million of public money are shrouded in secrecy. Such things are absurd and indefensible and add to the cynicism with which the electorate view politics.

It is not as though the task of producing the information is onerous. The information already exists in suitable form in electronic and hard-copy ledgers. The database of about 22,000 entries is, in computing terms, quite small, and any programming required to improve the usability of the information would also be of a small order. Public access to the information is prevented by four legal barriers: the first is the legally enforceable obligation arising from the agreement in the area aid application form issued by the Executive; the second is the common law of Scotland in relation to confidentiality in transactions; the third is the Data Protection Act 1984, which covers the electronic retention of information; and the fourth is article 9 of Council regulation 3508/92. Those are the obstacles that the committee must tackle if the information is to see the light of day. I suggest that that information is essential to the committee's further work.

The Convener: As I said at the beginning of the meeting, I hope that members will be content to deal with any questions raised by Mr Gray and Mr Stewart through further correspondence. Thank you, gentlemen, for your contribution. We have a time constraint on our proceedings this afternoon, so I would like to proceed immediately to hear the next three witnesses. Do members agree to that?

Members indicated agreement.

The Convener: I invite the representatives of the Scottish Landowners Federation, the Scottish Crofters Union and the National Farmers Union of Scotland to take their places at the table.

It would be appropriate at this point for me to draw the committee's attention to my entry in the register of members' interests, which shows that I am a member of the Scottish Landowners Federation and the National Farmers Union of Scotland. I am not, as yet, a member of the Scottish Crofters Union. Do any other members want to make a declaration of interest?

Mrs Mary Mulligan (Linlithgow) (Lab): Could I just ask a question, please? I apologise for missing the beginning of the meeting, which meant that I did not hear your ruling. You said that we were not to ask questions of the first group of witnesses, but does the same rule apply to the witnesses who are about to give evidence?

The Convener: No. I hope to be able to allow brief questions after the witnesses have spoken.

Alex Fergusson (South of Scotland) (Con): You asked us to declare our interests. I shall declare mine, which are already well known.

The Convener: We shall now hear from our second group of witnesses. As I said, we are constrained for time, so I ask witnesses to be as brief as possible. We have to complete this section of our business and be out of the room by 2.45 pm to allow the next committee to come in.

I invite Rory Dutton, director of the Scottish Crofters Union, to address us.

Rory Dutton (Scottish Crofters Union): Thank you for the invitation to give evidence. Our president, Donnie MacIannan, apologises for being unable to come here today.

Less favoured area support has been the big issue for the second half of 2000 for the Scottish Crofters Union. It is possibly the biggest issue that we have had to tackle since we were established 15 years ago, so we certainly welcome this opportunity to explain our views more fully to the committee. We have to work together on this. We must not lose sight of LFA support in the current foot-and-mouth crisis. In fact, foot-and-mouth disease could be rather an academic issue in many areas if livestock production is not supported

and allowed to continue in future. Let us not lose sight of LFA support and the agriculture strategy as we tackle the crisis that we are in the middle of just now.

You will already have received our submission dated 19 March, but let me explain the purpose of LFA support. As David Dickson clearly stated, LFA support is not a continuation of hill livestock compensatory allowances. LFA support has been redefined as part of the rural development plan for Scotland. The less favoured areas support scheme is therefore a rural development support scheme for farmers and crofters to enable them to continue in agricultural production despite the production and business handicaps arising from their poor natural resources and location. It exists to ensure that agriculture is possible in areas where it would not otherwise take place—areas where the socio-economic and environmental conditions require that agriculture continues.

The LFA support scheme is clearly justified on rural development rather than agricultural criteria, as it provides a basic safety-net scheme to help ensure viable communities where agriculture plays a key role in maintaining those communities. It achieves that by providing payments to compensate for the reduced production and the additional costs that farmers and crofters face in those areas compared with more favoured areas. It is not a production support payment; we have many other direct aid schemes for that. It exists to support farmers and crofters with basic livestock production; it does not exist to support downstream meat plants or other such businesses.

It is important to be clear about what we mean by disadvantage. We need a means of quantifying and measuring the disadvantage, to set appropriate rates of compensation. I inserted a wee table in our written submission outlining the types of factors that are covered. The rural affairs department submission to Europe on the Scottish rural development plan is very clear about what the disadvantages are, but regrettably the mechanisms proposed for the current scheme fail to measure the impact of those disadvantages across Scotland, or indeed to justify the levels that have been fixed for the disadvantages for which the scheme seeks to compensate.

The previous HLCA scheme had similar aims, but it was organised from a production perspective. The SCU firmly believes that that scheme failed adequately to compensate for the true extent of disadvantage in the more remote areas, as is evidenced by the mass movement of sheep and cattle from the north and west Highlands down to lower ground during the past 10 years.

The new regulation and the new scheme are

therefore, in our view, a great opportunity to put LFA support on to a much more appropriate and defensible basis for the long term. We think that it is right that it should be within the rural development regulation and that it should be area based.

Our problem is not with the principle of change or with the basic arguments that have been advanced by SERAD; our problem is with the mechanism. The mechanism will fail some of the most severely disadvantaged areas. In the absence of a safety net, it will fail to provide adequate support to enable agriculture to continue.

Some of the areas that the mechanism will fail the most are the areas with the best crofting agriculture—areas where agriculture makes a critical contribution to fragile peripheral economies. Although the land in those areas may be a bit better than that in some other crofting areas, their broader rural disadvantage is severe. That land is more intensively crofted, but it is still a basic, pastoral agricultural system that is pretty much in balance with nature. The Executive's programme—initiative at the edge—covers some of these areas. We want public policy to focus support on them.

14:00

It is totally unacceptable that areas at the extremes face the prospect of receiving less support even though they meet all the criteria of disadvantage. It is clear that the LFA support scheme cannot be allowed to go on as it is. It needs major change. We cannot contemplate a 10 per cent—far less a 20 per cent—drop for those areas. Well, we have to accept a 10 per cent drop, but we cannot contemplate a 20 per cent drop.

We all know that agriculture is in crisis, but the scheme will not help with the general situation. The scheme as proposed will fail because it does not measure up either to the European regulation or to the SERAD submission. It fails to take account of what SERAD describes as the fourth key element of disadvantage—remoteness and its repercussions. Consequently, it fails to provide an adequate differentiation in the level of support across Scotland. We feel that it needs a major revamp involving the measurement of disadvantage and the limits that are set for compensation. Only by taking those aspects into account can the scheme acknowledge the real costs of disadvantage.

There are other measures that we feel have to be considered to achieve the required level of targeting. It must be remembered that we are talking about a reducing budget, possibly over the next four years. Banding and capping, the

principle of which the Scottish Crofters Union has always supported, have been mentioned. Nobody can deny the importance of economies of scale, whether we are talking about fixed costs or variable costs. Those have to be reflected in the scheme. Nobody can deny the rural development arguments and the environmental biodiversity arguments for smaller holdings. We find it incredible that the scheme, unlike schemes in the rest of the UK, does not have any banding or capping of support. That is not fair—it does not maximise the impact and it is not cost effective with a limited budget.

Where do we go now? In the short term, it is critical that we work with SERAD and the other industry bodies through the less favoured areas support group to prevent the 20 per cent cut kicking in in the most disadvantaged areas in 2002. Ross Finnie, the Minister for Environment and Rural Development, has already accepted the failures of his scheme and has indicated to us that he is thinking of bolting on a consideration of remoteness, but we feel that the scheme is so inherently flawed that any bolt-on will be only an interim solution.

In the longer-term, we will have to get back to basics. We need a new matrix of land classification that reflects the broad range of disadvantage and that takes into consideration both the production potential of the land and the rural development factors. That is some way off. A start has been made on the land issues with the work that SERAD has commissioned with the Macaulay Land Use Research Institute, but nothing has yet started on the broader rural issues. We are discussing that with SERAD, the LFA support group and Highlands and Islands Enterprise.

What we are asking for is entirely possible. A peripherality index and a rural development measure have been used for some time in arguments over objective 1. It would be a straightforward matter to design similar measures that consider things from an agricultural perspective. Without such measures, we will not be able to justify revised compensation levels to the European Commission, far less to this committee.

We want an immediate bolt-on or change to the scheme to prevent the 20 per cent cut hitting the most disadvantaged areas. It has yet to be decided whether that should be done by boosting the inby payment levels in the more peripheral areas or by a simple bolt-on. We do not have to wait for the full results of the 2000 LFA support scheme or, indeed, for the 2002 claims. In the longer-term, we have to consider a more thorough revision; in the meantime, I hope that the committee will have no problem in approving the

statutory instrument to get payments out this year.

The Convener: We will move to questions at the end of this group of presentations, so I ask Mr Andrew Douglas of the Scottish Landowners Federation, who is joined by Jonathan Hall, to address the committee.

Andrew Douglas (Scottish Landowners Federation): I will be as brief as I can, as I would rather answer your questions. The present system, as outlined by Mr Dickson from SERAD and others, is totally unworkable. Why? It is worked out on a land classification system that was devised more than 50 years ago for a winter keep scheme for whole farms in Scotland. Over those 50 years, farming systems have completely changed. We now have improvements in many hill farms and greater carrying capacity on those hills.

The SERAD system has resulted in a moorland scheme of payment where moorlands in the Borders, Dumfriesshire and the whole of the south of Scotland, and in many parts of the north and Orkney, are classified alongside Argyllshire and Inverness-shire. In other words, fine hill land is classified with blanket bog. That is totally unworkable and it must be changed. Why? Because at the moment money is not going to the right places and it is not maintaining local economies. Where you have more sheep on the hill, you have shepherds. Shepherds have families. They are part of the rural community and they maintain that community.

Previous witnesses have talked about capping support, which is totally unacceptable to Scottish agriculture. Why? Because larger farms have a lot of sheep and employ shepherds: if there is capping, farmers will not have the money to pay the shepherds. I employ shepherds. With the present system, I will have one shepherd's wage less after the safety net goes. That is totally unacceptable.

Where do we go? SERAD has a contract with MLURI in Aberdeen to consider possible steps. I am on that working group with SERAD and other industry representatives. MLURI is the only way forward. The Scottish Landowners Federation approached MLURI in 1999, hoping to consider ways of making progress. MLURI will reclassify hill land in Scotland. In doing so, it will consider the carrying capacity of individual farms. Hill moorland will be classified differently. Where more sheep are carried, there will be more support. Where there are people—the shepherds, crofters or farmers—is where the money will go. That is the whole point of the less favoured areas system—getting money to remote areas.

If we add to the work that MLURI has done, we could consider remoteness and distance from markets. The whole system could be tweaked.

However, the point is to get money to where it is required—in the hills in remote areas. That may also result in environmental benefits.

The Convener: We now move to Jim Walker, who is the president of the National Farmers Union of Scotland.

Jim Walker (National Farmers Union of Scotland): Thank you for the opportunity to speak briefly on this subject. Many of the details remain to be sorted out and I suggest that we come back to this later in the year when more details are available.

Time is short, so I will try to stick to the issues. I will try to look forward rather than retrace the history of this scheme. What will happen in the future, not what happened in the past, is what is important. The other crisis in the country at the moment requires that we get out of this room as quickly as possible to get on with what is important right now.

I can probably be more forthright about the Commission than can members of the Scottish Executive. The Commission was less than helpful throughout the whole process of getting this scheme approved. Despite what the agriculture commissioner, Dr Fischler, said about allowing subsidiarity in a Scottish context when he visited our office in October, it does not seem to be as easy to tell that to his officials, as David Dickson explained earlier.

There is in-fighting among the environment directorate-general, the legal services DG and the agriculture DG in Brussels and, as usual, politics has become involved in a scheme that affects the lives of thousands of people who live a long way from that city. The Commission has taken little or no account of that.

Scotland is not the only country that has had problems getting its LFA support scheme sorted out; Ireland—which is probably the best lobbying country in the whole of Europe—has had similar problems. Like Scotland, it has had serious difficulties getting the redistribution of funds sorted out and the Irish Government always has one simple answer, which is to give more money to the scheme. The current Government gave us a very poor comprehensive spending review settlement for LFA support, which will cause difficulties with the scheme in years two, three and beyond. The tables that refer to that are included with our submission.

The first fundamental flaw in the scheme is that the area payments in the first year are based on funding in the third year, which works out at £56.3 million instead of the £63.4 million that is available this year. The Government has not assigned enough money from central funds to tackle the problems with the scheme.

I have brought along details of the Irish LFA support scheme, which started off with IR£120 million before the changes from a headage system to an area-based system. That amount has been increased this year to IR£180 million in an attempt to cover up the holes that have been exposed by the area-based system. Next year, the funding for the scheme will increase again to IR£201.5 million. Therein lies the rub; Ireland is Britain's, and particularly Scotland's, biggest competitor in livestock industry export markets—if we ever get back into them—and it has awarded its farmers an extra IR£80 million. The committee's first priority should be a close examination of the future funding of this scheme.

As for the redistribution of funds, any attempt to draw in the Scottish LFA boundary—which currently covers 83 per cent of the country—would be utter madness. This is a European compensation scheme and, set against the farmlands of Denmark, the Netherlands, Germany and other parts of Europe, the 83 per cent of Scotland that is in the Scottish LFA boundary is a disadvantaged area and should remain designated as such if we want to keep the current structure of Scottish agriculture—provided we can sort out the current problems.

The farmlands in the west and north of the country in LFA support regions rely almost exclusively on other LFA grass-growing areas to remove their stock in the summer, late summer and back end of the year for the further finishing of lambs and cattle. If other parts of the country were subsequently disadvantaged by a refusal to award them LFA payments, that would be to the detriment not only of those areas but of some of the crofting areas on the west and north coasts of Scotland, which require someone to buy their products when it is time to leave islands or remote areas at the end of the grass-growing season.

The important factor is not the size of the farm, but the farm type. I was interested to hear Rory Dutton from the SCU tell the committee that some of the best crofting areas are set to lose the most under this legislation. We agree entirely—and the situation is exactly the same in other parts of Scotland. Such areas generate economic activity around them and provide jobs. I receive substantial LFA support for my farm, which allows me to employ five men who have five families with children of school age and younger. That would undoubtedly be threatened if support payments were cut; under the current arrangements, my payments will be cut by more than 50 per cent in year four and beyond.

Orkney, which is one of the best grass-growing areas in Scotland, is disadvantaged not because it is an island but because it has a high percentage of cattle. Shetland is disadvantaged because it

has a high percentage of sheep; furthermore, much of the island is classified as an environmentally sensitive area, which withdraws some of the acreage that might be set aside for LFA support payments. Aberdeenshire, the Borders and Dumfriesshire are disadvantaged because of high stocking densities of cattle. The key issue is not the size of the farm, but the farming activity that takes place.

As for winners and losers, we cannot hope to do anything about unjustifiable winners other than what has already been done until there is both an analysis of the scheme's present claimants—which has not yet been undertaken—and a detailed examination of the integrated administration and control system claim forms, which will be returned on 15 May. Then and only then will the Executive be able to develop proper policies to cut back on winners and target potential losers; perhaps that can be achieved through stocking densities instead of capping.

14:15

Economic activity is key to this issue. There is no justification for paying people because they own vast tracts of land that are in effect wilderness. The Commission has been totally blinkered in its approach to the scheme, because it has not linked the scheme to economic activity or employment. Rural employment should be one of the committee's main areas of discussion; it is mentioned nowhere in the Commission's current regulation.

We must develop ways of increasing payments for those who have been targeted as losers— island communities such as Shetland and Orkney—and for environmental add-ons currently allowed under the scheme to be changed every year to allow the survival of productive agriculture and agriculture in remote areas.

As for remoteness, the committee has been circulated with a table detailing transport costs. Orkney, Islay and Campbeltown are all great grass-growing areas with superb climates for rearing stock, but they also happen to be remote; and almost all the problems that they suffer because of remoteness centre on increased transport costs for bringing goods into and taking products out of those areas. Almost every production disadvantage in the islands of Scotland can be replicated somewhere on the mainland; the situation is not peculiar to islands, with the potential exception of Shetland. Taking away money from the mainland to address problems on particular islands will put the buyers of stock from those islands out of business and threaten the viability of the whole livestock industry. The mutual recognition of what is happening in various parts of the livestock industry across Scotland should be

at the forefront of any of the committee's deliberations about the future of LFA support.

In conclusion, I want to make four points. First, the committee should help the farming and crofting industry to fight for more funds for LFA support. The current foot-and-mouth debacle gives us a great opportunity to do that. Secondly, there should be a recognition of the need to minimise redistribution across all of Scotland's LFAs, not just those parts where there happen to be political squabbles. Thirdly, we must recognise the particular issues on some remote and island communities such as Orkney. Although Orkney has made great strides towards branding its own products and is doing everything from the marketplace, it is still disadvantaged by the scheme, as are other islands in other parts of the country.

Finally, after 18 months of campaigning to do something about rural transport costs in remote parts and other areas of Scotland, we are still no further forward. Although the Scottish Parliament does not have any particular power over Government taxation policies, it is completely and utterly turning its back on rural Scotland by using the excuse of LFA support instead of tackling the main issue. I have supplied the committee with figures from February 2001 that show the actual additional costs of transport around Scotland, which is why remote areas are particularly suffering in this and every other scheme.

The Convener: I remind members that we have decided to discuss this issue today because the statutory instrument that sets up the new scheme is before us and we will be required later in the meeting to consider approval of the instrument. It is therefore essential that, before we adjourn the first half of the meeting, we take the opportunity to ask the Executive officials to address issues raised by the instrument and earlier witnesses. As we have a very limited time—a maximum of 15 minutes—for questions, I ask members to be concise. Despite having a panel of witnesses before us, I do not intend this to be a cross-questioning exercise and ask members to address their questions to specific members of the panel.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): I would like to question Jim Walker on his latter comments. The committee has certainly not turned its back on rural Scotland. As you have just said, fuel costs are not within the remit of the Scottish Parliament, the Scottish Executive or this committee. Every member of the committee accepts that fuel costs are a real problem, but we do not have the authority to tackle the issue. All we can do is what you do—put pressure on the UK Government.

Mr Stewart raised his concerns about the lack of transparency in the use of public money. Do you

believe that the recipients of £500 million of public funds are kept secret? That is what Mr Stewart believes and that is the phrase he used. At that point, you were shaking your head in the public gallery. Do you believe that there is scope for more openness in the way public money is divvied out, or do you think that the present method of allocating money to the farming industry is sufficiently transparent?

Jim Walker: I know that you do not have the authority to do anything about fuel costs, but LFA support and other agricultural support schemes should not be used to make up for a central Government taxation policy that is failing us. That is what could happen if all the problems in certain areas are tackled specifically through the LFA support mechanism.

The case for greater transparency is overstated. It was simple to get the figures for every farm in Scotland until the current area-based payment scheme came into force. That is more difficult to calculate and, even today, nobody quite knows what their payment is going to be. Information about how many animals anybody has is in the public domain. The support rate was set at £7 or £8 a ewe and £100 a cow. It is not too difficult to sit down and work out what each farm received. It is not the business of individuals around the country to look into the details of other people's businesses. That does not happen in other walks of life and it should not happen in agriculture.

All the money that is paid into agriculture is accounted for by SERAD, first and foremost, and it is audited from within the Government and outwith the Government by EU auditors. There is transparency and anybody who fails to meet the criteria of a scheme will either have their money withdrawn or will be refused access to that scheme in future years. The case for greater transparency is vastly overstated. Anybody who wants to find out what my LFA payments are could easily work them out in five minutes, on the back of an envelope. [*Interruption.*]

The Convener: People may not speak from the public gallery. We do not have the facilities to allow that.

Rhoda Grant (Highlands and Islands) (Lab): I, too, have questions for Jim Walker. You talk about the cost of transport and the like, but you do not address the differential. If the taxation on transport was different or lower, there would still be a differential, but you do not seem to think that the money that is going into farming should be used to address the differential that will always exist unless there are different levels of taxation.

Jim Walker: The transport costs in rural and remote areas have become a huge issue in the past five years and they were an issue even when

the previous scheme was in place. The moneys that were paid through the previous HLCA scheme under the headage-based system were almost identical to the moneys that are now assigned to the same parts of the country. It was totally illogical and unfair to redistribute the money when the new system was being devised and we already knew that there was going to be redistribution in certain areas.

The pot of money that the Western Isles received a year ago is almost the same as the pot of money that the area is receiving under the new system. There may be redistribution among individuals in that area—which happens all over the country, in the Borders, Dumfriesshire, Shetland and the Western Isles—but the scheme tries to redirect the money, in the main, to the same areas that claimed it previously and claim it now. As you well know, transport has become a far bigger issue than it was four or five years ago and it requires separate treatment. The idea of HLCA and LFA support was to compensate for permanent natural disadvantage; it was never intended to cover transport costs.

Rhoda Grant: Should not we have moved away from trying to redraw a scheme that created no winners or losers, and which allocated a pot of money to different parts of the country instead of considering the ways in which people were farming and encouraging the people who were farming in more disadvantaged areas by skewing the funding in their direction? You obviously disagree with skewing funding towards the more difficult less favoured areas.

Jim Walker: I do. I have no objection to campaigning—we have done so since day one—to secure additional funding to reflect the problems of farming in the most difficult areas in addition to the transport issue. The current arrangements and funding pot, which is shrinking, require that everybody in the LFA farming infrastructure in Scotland—whether they are in the Western Isles, the western part of Scotland, the Borders, Dumfriesshire, Lanarkshire or Aberdeenshire—receives a level of funding that allows them to continue in productive agriculture. If that does not happen and the money is skewed towards the most difficult areas, the very people who will be required to buy the store animals from the difficult parts of the country—to take them for further finishing, because it is not possible to do that in the more difficult areas due to the weather and the grass-growing conditions—will be cut out.

Do not try to rob Peter to pay Paul: members should concentrate their efforts on securing additional funding, as have our colleagues in the south of Ireland. There, an additional IR£18 million of support has been provided to address the problems of mountainous and more difficult areas

throughout the country.

Rhoda Grant: Farmers in Shetland have told me that they hoped the scheme would allow them to reduce their stocking levels and finish their animals on the island. Because of the way in which the funding has been skewed, they have not been able to do that. That takes away the added value of their product and means that the only things that people in such areas can farm are products that are finished elsewhere: they cannot farm and finish animals locally.

Jim Walker: There are two issues. First, LFA support is only one of the support packages that farmers in Shetland and elsewhere receive. The sheep annual premium, which is a headage-based payment, is still an important source of funding and is worth as much as, if not more than, LFA support. Therefore, the incentive for farmers in Shetland to drop their stocking densities and claim only LFA support is not clear.

Secondly, farmers in Shetland are supported in other ways. Most Shetland farmers receive ESA support payments, to which many other parts of Scotland do not have access. On the two farms that I run in Dumfriesshire and the Borders, I employ five men. If the support payments for those farms were cut, in line with the payments received by farmers in Shetland and other parts of the country being cut, I would be able to employ only three men. If the committee thinks that it is responsible and helpful to skew public resources towards isolated areas where employment opportunities in smaller units are minimal, thereby taking resources away from rural employment in other parts of the country, it will have to come out and say so in public.

The Convener: I encourage committee members to be brief, as we have yet to hear from the Executive officials.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I shall be brief and to the point. Rory Dutton said that it is incredible that there is no banding or capping system. First, was the Scottish Crofters Union consulted before the second version of the submission was passed to the Commission? Secondly, what sort of banding and capping system would you like to be established? Thirdly, can you offer a view on why there is no capping system in Scotland if every other part of the UK operates one?

Rory Dutton: Way back, we were involved in discussions on the rural development regulation and on the first version of the proposals. We had no input into the second version, which went to the Commission. The Executive—and the Scottish Office before it—has always been resistant to the idea of banding and capping. There is a tradition of such resistance. We support the idea of capping

or banding the resources that are available. It is all very well to say that we would always argue for more resources and that we would put them into the areas that are currently short-changed. However, we must be realistic. It is possible that we would not get all the money that we argued for, therefore, we must ensure that what we receive is properly targeted. The allocation must be seen to be fair and to achieve the maximum impact and cost-effectiveness.

At this stage, I do not have any proposals on where the limits should be, but the most important one would be banding, whereby the first number of hectares would get a certain rate and the rates would be scaled back after that. Whether you impose a cap is a separate issue. It is all down to getting the best value in rural development terms from the money available.

The scheme is a special one for disadvantaged areas. We must not forget that it is a new scheme, which has a chance to redefine the criteria in line with the LFA scheme. Let us not keep harking back to previous schemes.

14:30

Alex Fergusson: I draw attention to the *Official Report* of the members' debate that I initiated on this subject two weeks ago, which raised—and failed to have answered—most of the questions that I and various members of the committee have raised. There were cross-party contributions to that debate, all of which raised serious questions, many of which have been echoed by the witnesses today.

From the outset, my concern has been the important redistribution of funding that will take place under the scheme. The one statistic that I will point out is from a Scottish Agricultural College report produced two years ago, which showed that 23 per cent of the gross domestic product of Dumfries and Galloway was dependent upon agriculture. Some might say that that is a dangerously high percentage, but it shows the danger of a major redistribution of capital.

My question is for Andrew Douglas. If SERAD is now happy to consult MLURI on a reclassification of land, can you shed any light on why it was not prepared to do so two years ago, when MLURI and the Scottish Landowners Federation put forward proposals?

Andrew Douglas: Two years ago I was not in this post, so I can only pass on what my predecessor told me. I am led to believe that two years ago, SERAD thought it was going to carry on with a headage scheme. From the start, the signals from the European Commission were clear that that was not acceptable. SERAD chose to ignore the MLURI proposals two years ago, but

now it has to go back to MLURI. As I said earlier, working with MLURI is the only way forward.

Alex Fergusson: I accept the point that you cannot redistribute funding such as this without having winners and losers, but my understanding is that had the original SLF/MLURI report been taken more seriously, while there would have been winners and losers, they would have been minimal compared with the present system. Indeed, it would have avoided the considerable redistribution of capital that so concerns me and other members of the committee.

Andrew Douglas: Absolutely. The last meeting of the joint committee was held at MLURI on 23 February, at which MLURI produced a graph showing that the winners and losers were brought much closer together. On the question of winners and losers, I point out that there is a minimum stocking density for sheep on the hills of large estates. There are not many large estates running away with the money; they have to have the sheep and people there first. That point must be brought home to everyone.

Jim Walker: Capping is raised not only in relation to LFA support; all support schemes have had that knife hanging over them for some time. When travelling round the country, I find that it is interesting that capping and modulation are always acceptable until they do not involve the person to whom you are talking. Where do we set the rate, and how long do we allow the rate to drop until it affects the largest number of people, when there will be a majority against it?

An MSP appeared recently on an edition of "Newsnight", to which the convener also contributed, on which there was much talk of the devastation of small crofts and crofts in the island communities of the western Highlands. George Lyon, the MSP for Argyll and Bute, told us in the same programme that with 1,000 ewes and 300 cows on the island of Bute, he would be finished in two years' time if the scheme was not reformed, which goes to show that this is not just about the size of farms, but about the type of farming activity.

Capping would not suit the majority of people; it suits only those who happen to fall below the agreed level. That sets a dangerous precedent for other schemes, because it is likely that once capping was introduced, the money that would have been paid above the capping level under the scheme would not be returned to agriculture; it would be returned to some other kitty.

A good example of that is Margaret Thatcher's deal at Fontainebleau. As a result of the Fontainebleau agreement, we get £2 billion back from the European Commission every year, which was supposed to be put into agriculture. We see

little or none of that, even when agrimoney is available.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I am glad that Jim Walker has referred to crofting, because I represent a crofting area. I received a letter from a crofter a few minutes ago, which points out in stark terms what will happen to remote Highland crofting communities if the present regime is not altered—people will simply pack in and give up crofting. Little, remote, faraway places such as Elphin, Stoer and Drumbeg will be badly damaged. We have heard about the big farmers, but the wee crofters' situation particularly bothers me, because of the area that I represent.

It appears that rural employment and the survival of communities have not been recognised by ministers and civil servants. I want to ask Rory Dutton whether that is the case. Were the issues discussed? If not, why was there that vital omission? Without such recognition, people cannot speak of preserving and enhancing rural life in Scotland.

The Convener: I ask Rory Dutton to respond briefly.

Rory Dutton: Put very simply, until a short while ago, the rural affairs department was an agricultural department. It will take some time for it to convert from being simply an agricultural production scheme to taking in broader rural issues and thinking of the repercussions for small, rural, fragile communities and the issues that the committee is trying to address.

Mr Stone: Are you saying that those issues are not recognised?

Rory Dutton: It is my understanding that the framework for delivering support did not explicitly introduce any broader rural criteria, either in the A, B or C-type categories or in how the payment levels were set. Secrecy was mentioned earlier. It is important that there is openness about how the rates are calculated and what the bases and assumptions are.

Jim Walker: We ran an economic model that included 700 farms in Scotland, from the smallest to the largest. There are as many losers from large farms as from small farms. Some small farms and small crofts are winners, whereas some small crofts are losers. We should not lose sight of that.

On losing whole communities, since yesterday at 4 pm, there are no animals left in the parish of Johnstonebridge in Dumfriesshire. The committee should bear that in mind when it considers the future of LFA support. The foot-and-mouth crisis may go away, but the repercussions will last for years.

The Convener: Thank you all for your help.

We will move on briskly to the SERAD representatives, who will give their reaction to what they have heard.

Mr Rumbles: I am not clear why we have taken evidence from witnesses but do not have an opportunity to question them. Is that appropriate? Should not we have the opportunity to question the two witnesses who gave evidence earlier?

The Convener: A range of issues have not been addressed because of the time scale within which we must operate. I intend to raise the matter when the committee reconvenes later. We can then properly discuss the issues.

Mr Rumbles: What is the point in having witnesses to give evidence if we cannot question them? It is a waste of time. There was an outburst earlier because of the frustration caused.

The Convener: I will address the issue later.

I welcome the SERAD representatives. We heard from Mr Dickson earlier. He now has the opportunity to react to anything he has heard. In particular, he may want to say something in relation to the statutory instrument that we will consider later this afternoon on the implementation of the new scheme for less favoured area support.

David Dickson: We are perfectly happy to answer further questions. A number of points have been raised. The main point is how difficult it is to satisfy the demands of all the different parties. The minister's desire—and certainly our desire as officials—is to shape the scheme, to the best of our abilities, so that it reflects wholly different needs.

I want to pick up on one or two points. My colleagues may pick up on some of the others. On MLURI, the idea of involving MLURI did not come from the Scottish Landowners Federation; it came from the Scottish Executive rural affairs department. Jeff Maxwell is on our hill farming advisory committee. We were sympathetic and got MLURI to start work. When we had to devise the scheme, the work did not operate at an individual farm level. We had no means by which we could cross-reference to our IACS system. I cannot remember how many different classes of land, including hill land, the scheme involved. We had a dickens of a job getting farmers even to understand the difference between improved pasture and rough grazing. We could see huge implementation problems in grafting on a scheme such as MLURI's from day one within the time scale.

Now that we have a scheme and a group in which we are trying to work together, we have commissioned MLURI to get on with the job to determine whether we can develop something different from our long-standing system. However,

the system that we have is better than any system elsewhere in the UK. The rest of the UK simply pays straightforward payments to all the LFAs without any definition of different farm types. We are at least trying to address the problems. I accept that we have not done as well as people would like, but the attempt has been made and we are determined, if given the opportunity, to refine the system to the best of our abilities.

Robin Haynes may want to comment on the winners and losers point and Andy Robertson will perhaps comment on trying to get a measure that takes account of individual farms' economic circumstances.

Robin Haynes (Scottish Executive Rural Affairs Department): The MLURI work poses as many questions as it answers. Essentially, it will provide the means of using the agriculture potential of land as a proxy for the economic activity thereupon. If the LFA was used to match the old headage HLCA payments, it would again result in the worst land receiving the lowest payments.

The origins of the land classification system that we use for the LFA support scheme go back around 40 years to the old winter keep scheme, which was rolled forward into the HLCA scheme. It is based on professional agricultural staff's assessment of an individual farm's ability to supply its own winter keep. That remains quite a good means of assessing the degree of disadvantage. Under the old HLCA scheme, we split whole farms into three types, depending on their ability to grow their own winter keep. We maintained and rolled that approach forward into the new scheme.

I want also to stress the lack of room for manoeuvre that we faced in conceiving the scheme. In the financial year 1999-2000, the average net farm income, as indicated by the department's farm accounts survey, was £2,655 across all LFA livestock farms, from the largest to the smallest. The corresponding HLCA payment was £6,856 per farm. That is, in a nutshell, the scope that we have to redistribute funds.

Andy Robertson (Scottish Executive Rural Affairs Department): My colleagues have spoken about the farm classification system. That system was more sophisticated than anything else in operation in the UK before we made the change. We had a system that divided LFA farms into three classes. That was done on an individual farm basis, which is important.

When we made our original proposals, we used the three-tier system, but we sub-divided it between the Highlands and Islands area and the rest of the country. That gave us six classes of farm. Within that, there was a division between inby land and hill land. That gave 12 possible

classes. The European Commission wanted us to reduce the number of classes; it is fair to say that the system in the original submission reflected a considerable number of different types of land. We still have that, in the sense that we have three classes of farm and two classes of land within that, so we still have six divisions.

On trying to develop something that reflects different types of farming, it is also worth reminding the committee that we have a wide variation of farm types and sizes in Scotland. To an extent, farm size reflects the potential of the land. I know that that is not true across the board but, by and large, big farms tend to be found where there is poor quality land. That is because more land of a poorer type is needed to maintain the same number of stock. Poor farms tend to be bigger. An area basis helps those farmers, as they get more per hectare and so more in total.

14:45

Finally, I would like to re-emphasise where the winners and losers are to be found. The farmers who carried the most stock have lost out as a result of the move from a headage-based system to an area-based payment system. The following example illustrates the problem. Under the old headage system, the rate per cow was about £90. In areas such as Orkney, farmers carried about one cow per hectare. The new rate per hectare is about £45. Inevitably, farmers in areas such as Orkney found their payments reduced by about half. The problem results not from a farm's location, but from its stock levels. There are similar situations, related to the number of cattle or sheep carried by farmers, in Shetland.

The issue is not where the farms or crofts are located; individual farmers will lose as a direct result of our having moved from a headage-based system to an area-based payment system. It is important for us to keep an eye on that problem.

The Convener: Thank you. We have only a limited time available to us—indeed we have only a few minutes. I remind committee members that when we reconvene later this afternoon, we will deal with the Less Favoured Area Support Scheme (Scotland) Regulation 2001. The opportunity to ask the officials questions about the regulation is now or never.

Dr Elaine Murray (Dumfries) (Lab): Is the intention of the scheme to keep people on the land in areas where farming is unviable or is it to help to support more economic, and therefore sustainable, forms of farming? In the future, it would appear that larger farms will be more economically viable. We have to be sure of the Commission's intention, so that we can assess the success or otherwise of the scheme.

David Dickson: First, I should point out that the Commission, and everyone else, accepts that 85 per cent of Scotland qualifies for LFA support. Under the scheme, we are responsible for paying some form of compensation to farmers in almost every part of Scotland, with the exception of those on the best land. If we start from there, the next question is how we reflect the different circumstances in different parts of the country. Our bible is the Commission's directive regulation, as that sets out the factors that we can take into account. What we have tried to do is to get a balance—

Dr Murray: What outcome do you want to achieve?

David Dickson: We want an outcome that is compatible with the legislation. If we do not have that, we will not have a regulation. That would mean that we could not pay farmers, as the Commission would stop us doing so. Without the Commission's authority, we have nothing.

The next outcome that we want to achieve is to deliver what the minister wants, which is to maintain sustainable farming. In essence, he wants money to go to as many of the people who are eligible as possible. He wants that to happen in broadly the same volume as before, but with additional emphasis on areas including the Highlands. That is the minister's objective and, oddly enough, that is what has been delivered. There is at least as much money, and probably more, going to the Highlands under the new scheme as there was under the old one.

If members look at the situation in the Western Isles, they will find that once all the calculations are done, farmers there do at least as well and probably proportionately better. The problem, mentioned by Andy Robertson, is how the money is distributed in the farming systems. So far, what we expected to happen in an area-based payment system is happening. The emphasis is on production. That means that the more productive farms, whether they are in Shetland or wherever, tend to lose out. The less productive and intensive farms tend to gain.

We can refine the system, as we have the tools to deal with issues such as stocking densities. That is what we will seek to do. We are not trying to disrupt or dislocate anything or anybody. We are trying to sustain systems such as crofting but, by Jove, the regulation is a devil of a measure to be given to try to do that.

The Convener: Fergus Ewing and Jamie Stone have points to raise. However, as we are now over our time and have to leave the committee room, I ask that they be given one-minute answers.

Fergus Ewing: Article 15 of the regulation—or the bible, as Mr Dickson calls it—states:

"Compensation allowances shall be fixed at a level which ... avoids overcompensation."

Article 16 sets out that

"Payments shall be fixed at a level which avoids overcompensation."

Despite the fact that I am quoting from what has been called the bible, the regulation contains no definition of overcompensation. It would appear that the bible has not found its way into the statutory instrument. Given that, is not the Executive in breach of the regulation? What does the department plan to do about that, given that we must have a banding and/or a capping system to prevent overcompensation?

Mr Stone: Despite what I have just heard about the Highlands, Mr Iain MacKenzie of Elphin is very much a loser. In his letter, he speaks of the collapse of the Highlands and Islands sheep strategy, meaning that he will have to come out of the industry. He speaks also of the

"disappearance of a way of life over night".

Such views are voiced not only by Mr MacKenzie, but by a great number of crofters. As Rory Dutton has pointed out, crofters are saying two things: "Will the Executive please recognise the problem?" and, "We urge the minister and the civil servants in his department to address the problem as a matter of urgency, as little communities may be terminally damaged."

The Convener: I am sorry but I will have to ask the officials to keep to 30-second answers.

David Dickson: The stocking density measures that we have introduced are meant to deal with overcompensation. As for the second question, we will have to wait until we have been given the analysis of who does and does not benefit from the regulation. That will prove or disprove Mr Stone's constituent's point. The evidence that we have to date is sound. It shows that crofting overall probably benefits rather than loses. However, we will wait until we have analysed all the results. We recognise how fragile such areas are.

Members of the working group will try to help the losers. The minister wants us to do that—we all want to do that. The safety net of 90 per cent this year and 80 per cent next year gives us time to refine the system.

Robin Haynes: So that there is no doubt in committee members' minds, I confirm that the Commission approved the LFA scheme that is embodied in the statutory instrument, including its legal services, on 24 October 2000.

Mr Rumbles: I suggest that we invite Mr Gray and Mr Stewart back to answer questions when we reconvene. Our committee could be brought into disrepute if we invite people to give evidence

and do not have time to question them.

Mrs Mulligan: I agree that it is inconsistent to invite people to give oral evidence and then not give them an opportunity to answer questions.

The Convener: We have the facility to address questions to witnesses in correspondence.

Mrs Mulligan: Are we going to decide on the statutory instrument today? Surely, any questions in relation to the instrument will be out of time by then.

The Convener: There has not been a motion to annul, so the option to do anything other than approve the instrument is lost to us.

Rhoda Grant: When we began the inquiry, I said that I thought a day was not long enough. Because we have to vacate the committee room, it certainly is not long enough. I suggest that we invite the witnesses back to a subsequent meeting.

The Convener: Is that committee members' preferred course of action?

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): It is unfortunate that witnesses might go away feeling that they have not had the opportunity to respond to some of the points that have been raised. I fully appreciate that the foot-and-mouth crisis is on everybody's priority list, but we are in danger of missing some of the points that were raised today. We might want to build more time into our review of the LFA scheme.

The Convener: In the meantime, are committee members content that we invite the two witnesses to submit further written evidence? Does the committee also agree to invite them back to give further evidence at a later date?

Members indicated agreement.

14:55

Meeting adjourned.

15:53

On resuming—

The Convener: It is difficult to pick up a meeting that has adjourned for an hour, but I hope that we will manage to get up to speed.

We now have an opportunity to discuss what we have heard and to consider what to do about the Less Favoured Area Support Scheme (Scotland) Regulations 2001 (SSI 2001/50) at a later date. However, we must also consider the regulation that motivated the item on the agenda and finalise our views on that. Do members wish to comment on the evidence that we heard earlier or make

suggestions about how to deal with the LFA scheme in the longer term?

Mr Stone: What Rory Dutton said about LFAs and crofting is true. I know and respect many people in crofting townships who are losing out badly. There is evidence of that, and I do not care what civil servants or ministers say. I know that Highland members from all political parties have picked up this issue.

I am in your hands, convener, but my view is that we probably have to go with the evidence that we heard. At the same time, I owe it to the crofters in my constituency and elsewhere in the Highlands to continue to shove to get the scheme altered radically. The problems are not so much to do with this year or next year, because there will be an almighty thump when the safety mechanism comes to an end. I cannot see how some crofters will survive—the scheme will radically alter the nature of a working, environmentally friendly industry that is good not only for tourism but in many other ways. I am appalled at the thought of that industry being hit.

I conclude my remarks with that, as I know that people such as Alex Fergusson have a much longer track record in this area than I have.

Alex Fergusson: I agree with Jamie Stone. It does not matter whether one comes from a crofting community in the north and west of Scotland or from the south and south-east of Scotland: the scheme is roundly criticised from every direction, by members of every party and farmers with farms of every size. As was demonstrated at my members' business debate two weeks ago and by the limited questioning today, dissatisfaction with the scheme is widespread. While I appreciated the chance to speak to Alasdair Morrison, I am sad that that cut down on the time for questioning officials and others about their representations.

We have no choice today but to approve the instrument. To do anything other than that would stop payments to farmers and, in my view, we simply cannot do that in a responsible way.

As Jamie Stone noted, we have a safety net of two years during which the issue could be addressed again. The minister has shown that he is willing—I think I am right to say that he is to set up an advisory group in order to do that. I was disappointed to hear—I had not realised this before today—that SERAD has now engaged with MLURI in order to examine the reclassification of land. As I said earlier, I believe that MLURI had the secret solution to this problem some two years ago but, at that stage, it was completely ignored by the minister and his department. I find that rather regrettable.

There is a long way to go, given the two-year

gap during which the problems with the scheme can be addressed. Today, we have no choice other than to approve the instrument. I will leave it to other members to add to my comments.

The Convener: It certainly came as a surprise to me that today we are considering an instrument under which 80 per cent of the payments have been made already. I suspect that we would cause some embarrassment, were we to decide to annul the instrument. Of course, that is not my intention, nor is it the intention of any other member of the committee. Perhaps we could have dealt with the instrument rather earlier, had it been presented to us.

Dr Murray: I agree that we must approve the instrument. While no one is happy with the scheme, the evidence that we heard appeared to indicate some disagreement about what is wrong with it. People from the south of Scotland were not saying the same things as those from the crofting communities. There seemed to be quite a difference of opinion about the scheme's intentions, which is why I was rather disappointed by the response of the SERAD official, Mr Dickson.

We must know what outcomes the Commission intends the instrument to achieve. Only once we know that will we be able to assess whether the instrument is meeting those objectives or whether it requires adjustment. There was little clarification of what the scheme is supposed to achieve. Is it supposed to be protecting fragile rural economies in the north of Scotland only? If so, it does not appear to be meeting that objective as well as it could be. Is it supposed to help in the development of sustainable farming in other areas? If so, again the feeling was that it was not doing what it could be doing. Those issues must be clarified.

Mr Stone: Hear, hear.

Dr Murray: We must come back to the instrument in order to seek a clearer view of what it is about.

Fergus Ewing: Common sense suggests that we have no choice but to approve the instrument today. I suppose that I would have been the only member to have moved a motion to annul it. However, I did not do so, because farmers would have received nothing, which would have been absurd. Even Rory Dutton, who expressed quite coruscating criticism in his written submission, said in evidence today that the instrument must be approved. We all recognise that.

From calling the scheme a rotten deal to calling it a betrayal, strong words have been used about the scheme—deservedly so—by people as diverse as George Lyon, Calum Macdonald and me. I do not disagree with those strong words, but

the comments made by the officials today were deeply disappointing. Mr Dickson came out with arguments such as the change in the Commission officials. Does that argument justify the negotiation of a poor deal? In any event, it is not a persuasive argument. He said that officials were constrained in what they could and could not do, but he did not give us a full explanation of the nature of those constraints, nor why the levers that were used in England and in other parts of the UK to deal with capping were not used in Scotland. I appreciate that we did not have enough time today, but we were given no explanation of that.

Looking forward, convener, perhaps we could use the opportunity of approving the instrument to make some suggestions about how to make progress on this issue. We all have clear ideas about how to do that, although those ideas may not be exactly the same and I do not think that they are fully formed yet, for a number of reasons. First, as Jim Walker said, the evaluation of the scheme will not be carried out until May and we must see what that evaluation contains. Second, we are in the middle of the greatest crisis for several decades, and we must see how that develops.

However, the committee could play a useful part in improving the scheme. Until now, the committee has played no such part—to be frank, we have been ignored, as the convener pointed out. Payments have been made, yet we have not even approved the instrument. That is not acceptable. We may as well not be here, if that is to be our role.

16:00

I hope that we will be able to play a part, that we will be formally consulted in the process of renegotiating or improving the scheme and that a number of points that were raised in evidence will be considered, particularly the banding option—that is, tapering payments as hectareage increases—and the capping option. Both overcompensation and the MLURI report that was referred to by Alex Fergusson when he questioned the SLF should also be considered.

We are left with many questions unanswered, and Elaine Murray and others referred to the fact that different witnesses gave slightly different descriptions of the nature of the problem. Above all, I want the committee to play a useful part, and for that to happen we must be involved, rather than excluded in the way that we have been until today, which is the very day on which we must approve the instrument.

Mr Rumbles: I am glad that Fergus Ewing did not move a motion to annul the regulation. I disagree with Fergus—we should not delay

payments to our farmers, especially at this time. While I understand Fergus's sentiments—

Fergus Ewing: On a point of order, convener. I am becoming a little weary of this. I did not suggest that there should be any delay; in fact I emphasised repeatedly that we have no choice but to approve the instrument today for the express purpose of making those payments. I wish that Mr Rumbles would desist from what seems to be becoming a habit of directly contradicting obvious statements that I have made.

The Convener: We accept that clarification.

Mr Rumbles: I am glad that Fergus Ewing gave that clarification, although it was not a point of order. I am getting a little tired of bogus points of order from my colleague on my left. Perhaps I should say, "on the right", but never mind. I reiterate that I am glad that Fergus clarified that he would not want to delay the order. It is fortunate that about 80 per cent of farmers have received their payments already. That is a good thing, as far as I am concerned. The sooner they receive those payments, the better.

I was struck by the difference in the evidence given by Jim Walker from the National Farmers Union, by Rory Dutton from the Scottish Crofters Union and by the other chap—I cannot remember his name—from the Scottish Landowners Federation. Their submissions were all different for various reasons.

Although I hardly agreed with some of the points that were made, I was particularly impressed by Jim Walker's evidence. He gave the impression that we must be wary of trying to give more aid to the Highlands and Islands, as we are worried about transportation costs because of the remoteness of the area. He was concerned that more aid was being given to compensate for matters that were outside our control, for instance, the fuel tax. That was an interesting point. He made the important point that we should treat farmers throughout Scotland in the same way.

I want to put on record that I felt that it was interesting that none of the three organisations that I mentioned was happy, although for different reasons. That just shows the difficulty that the minister has in trying to put the regulations together.

Mrs Mulligan: Like Elaine Murray, I was concerned that when we asked the Executive officials what the aim of the scheme was, they were unclear about it. That should worry all of us. If they do not have a clear aim, how can they achieve it? We have to examine what the scheme is trying to do. As has been said, quite a large sum of money will be distributed, yet everybody seems to be unhappy with it. We are not satisfying or meeting the needs of anybody. That should be a

great disappointment to us all. The committee needs to be more involved in the development of exact aims for the scheme and ways in which to achieve them.

It is true that, as Mike Rumbles and Elaine Murray said, there were differences in the evidence. Not everybody will gain through the scheme. We have to be quite clear about whom we want to benefit. Trying to share the money as widely as possible does not seem to satisfy anybody. I want to look at the regulations in more detail and develop a much clearer picture of what we want to achieve, so that those to whom we want to give assistance are able to benefit.

There are other ways in which we can assist other parts of the farming and crofting communities. Perhaps the scheme is not the way to meet everybody's need, but if we target it productively, it will be more effective than if we try to bounce backwards and forwards between the various views that we have heard today.

Rhoda Grant: The problem that makes everyone dissatisfied and want something else is that the scheme as drawn up tries to preserve the status quo, which it was not supposed to do. It should have had an aim, which should have been followed through in the scheme. That has not happened. It is important that we get the scheme right, because all the other schemes will go on to area-based payments eventually. If we do not get this one right, the whole lot will go wrong.

I totally disagreed with Jim Walker. I do not know how he could say that a less favoured area scheme—even the title says why it exists—should be applied equally throughout Scotland, as if there was a level playing field throughout Scotland. To me, that makes no sense at all. The aim of the scheme has to be to correct the imbalances that exist in Scotland with its less favoured and even less favoured areas. The scheme does not even attempt to do that. We have to go back to the drawing board. I do not know how we can tweak the scheme to take account of all the disadvantages that exist unless we have a lot of build-ons.

Mr Stone: I will make a constructive suggestion. I understand that the committee views positively my suggestion of a crofting inquiry at some stage in the summer. Perhaps the LFA scheme is exactly what we should be getting our teeth into. We should get down to the nitty-gritty of it as part of an inquiry.

Alex Fergusson: I back up the point that Rhoda Grant made. There is no doubt at all that the scheme is being considered by Europe as a model for future support mechanisms. If we do not get it right, there will be big problems in the future.

Rhoda Grant was also right in saying that about

18 months of negotiating time was lost in a slavish desire to ensure that there would be no winners and no losers. It is not possible to do that in a fundamental change such as the scheme, but mechanisms had been put forward that would have mitigated the scenario and produced the least possible scenario rather than almost the worst possible scenario, which, for a variety of reasons, seems to be what we have now.

The Convener: As I made clear earlier, this is the last day on which there is an opportunity for a motion to annul the regulations. By allowing the opportunity to pass, we are allowing the regulations to pass into law. Our normal practice is to make no recommendations in our report to Parliament.

Given that we will have effectively passed the instrument, would members be content if, rather than report to Parliament at this stage, we ask the clerks to prepare a draft report for our consideration at next week's meeting? The draft report would not come to any detailed conclusions but would set out the concerns that witnesses and members of the committee have expressed so that we might consider them in our report to Parliament.

Alex Fergusson: Would that be for discussion next week?

The Convener: I hope to circulate it to the committee for next week's meeting.

Rhoda Grant: Can we consider a report and take additional evidence?

The Convener: We have to report in the near future on the instrument that is before us. That does not preclude us from bringing the issue back on to the agenda for much more detailed consideration. I also suggest that we approach SERAD to get an indication of the time scale that is likely to be applied to the further consideration of the scheme, so that we can take a timely opportunity to consider it and be proactive rather than reactive in future.

Mr Rumbles: Could we not just do what we normally do with such instruments, that is, say that it is fine but add a sentence to the effect that the committee is concerned about the scheme and will produce its own report later?

Rhoda Grant: That would give us more time to do a report.

The Convener: If we merely draw the Executive's attention to the fact that we intend to look at the LFA support scheme further, a brief report would be in order. I suggest that that be drafted and circulated to members for tacit approval, as it will be slightly different from our normal reports.

Alex Fergusson: I am happy with that.

Has the minister, or anybody else, given any indication of the time scale of SERAD's talks with MLURI to re-examine the contract?

The Convener: I have no indication of the time scale. If information on the time scale to which SERAD is operating is available, we should be aware of that.

Rhoda Grant: As I remember from this morning's evidence, the folk from SERAD said that the scheme would be halfway through before they would consider changing it. Halfway through the scheme is at the 80 per cent threshold. If they do not put something on the table quickly, it will be at the 50 per cent threshold. People will have difficulty bearing the 80 and 90 per cent threshold. If they fall to the 50 per cent threshold before something is done, that will leave us with little scope to do anything, because folk will have gone out of business.

The Convener: We need to move quickly. If, as I believe we decided at last week's meeting, we are likely to defer any agriculture inquiry to take into account the aftermath of the foot-and-mouth outbreak, we may not be able to complete our consideration of the scheme in that time scale. We may have to bring it forward. We should consider that when we consider our future business at some point soon.

In the first instance, we should approach SERAD and ask for an indication of the time scale to which it will operate, so that we can ensure that we are ahead of that time scale.

If there are no further comments on the instrument, the broader issue of LFA support schemes will be brought back on to the agenda in the not-too-distant future.

Subordinate Legislation

16:15

The Convener: The first item of subordinate legislation is the Export Restrictions (Foot-and-Mouth Disease) Amendment (Scotland) Regulations 2001 (SSI 2001/61). The instrument was laid before Parliament on 5 March and we have been designated the lead committee. We are required to report on the instrument by 23 April, which means that we have to do so just now as the committee does not have another scheduled meeting before that time. The order was laid under the negative procedure, which means that Parliament has the power to annul the order by resolution within 40 days, excluding recess. The time limit for parliamentary action will expire on 25 April.

The Subordinate Legislation Committee considered the instrument on 9 March and commented on it in its twelfth report, which has been circulated to members. No comments were made on the instrument and the clerks have received no requests from members of this committee for officials to be present. Are members content with the instrument?

Members indicated agreement.

The Convener: When I opened the meeting, I said that, although the issue of foot-and-mouth disease would be dealt with in a number of ways during this meeting, there would be no opportunity for members to address any specific concerns that they might want to be raised in subsequent meetings. Therefore, as this item refers directly to a matter connected with the foot-and-mouth outbreak, I would be interested to hear any comments about what ought to be included on future agendas in relation to the disease.

Dr Murray: Over the weekend, I was concerned about the confusion that was created by a number of announcements, particularly those concerning the culling of animals in contiguous farms, and the statements of scientific officers that set hares running about whether the Government's policy was correct. I spent a lot of time yesterday talking to people who think that, if the situation is as bad as the scientists seem to claim, we should accept that we will not be able to achieve disease-free status and should vaccinate the animals. Such concerns arose from a lack of clarity about what was happening over the weekend. I do not know whether the issue that I raise should be placed on a future agenda, but I hope that the problem will be addressed. I have raised it with the minister who is responsible for tourism and with the First Minister.

Fergus Ewing: I echo Elaine Murray's concerns. The press reports over the weekend seemed to suggest that there had been quasi-ministerial statements that went further than the official announcements. I do not think that that was helpful.

I expect that there will be considerable debate this week about whether there should be vaccination. The subject is of great concern and I think that there should be an opportunity to debate the issues, which are by no means straightforward, in Parliament. The arguments for vaccination might seem to be convincing but, when one hears expert advice, one learns of a large number of pitfalls that have not been fully explored. I would hate for the Parliament not to be able to debate such issues at the appropriate time, which might be soon. Either the Parliament or the committee should discuss soon issues of concern arising from the foot-and-mouth outbreak.

Dr Murray: There must also be clarity about whether people are talking about vaccination in the fire-break zone prior to a cull or a vaccination programme across the UK.

Richard Lochhead (North-East Scotland) (SNP): I apologise for being late today. I support the comments that have just been made. The committee or Parliament might also want to address the issue of ring vaccination, which is quite confusing.

Neither the plight of auction marts nor the establishment of collection centres to help out the smaller farms has received enough attention. The establishment of collection centres would give an enormous boost to low-risk areas.

Rhoda Grant: I think that those issues will be addressed quite soon, given the fact that many areas of Scotland are disease free. It would be useful to debate the issue of vaccination in the committee. The advice that we were given last time perhaps raised more questions than it answered—that is a polite way of putting it.

The Convener: I agree.

Rhoda Grant: I would like to hear what experts have to say, as there are differing opinions: one that vaccination would be useful in the buffer zones to enable the disease to be contained before slaughter; the other that vaccination might have negative effects. We should talk to people with a scientific background from both sides of the argument, as that would allow us to discuss all the angles.

Alex Fergusson: As I come from the south-west of Scotland, I am in no doubt that the impact of the outbreak simply goes on and on. I am sure that Elaine Murray, Cathy Jamieson and any other member who represents that area have felt more

like social workers than anything else in the past couple of weeks. The experience has been emotional. Yesterday, I bumped into a lot of farmers who would be within and without a ring vaccination area. To a man, they were adamant that vaccination does not hold the answer to the problem. That is because we are fortunate in Scotland—although I would not want to use the word “lucky” too much in relation to this disease—because, thus far, the disease is confined to a relatively small corner of the country.

Although there is room for considerable criticism of the way in which some of the operations have been carried out, there is optimism that the slaughter policy might contain the disease within the area in which it currently has a hold. Given that we have been told repeatedly that vaccination is no answer to the problem, the adoption of the vaccination policy would be an admission of the failure of the current policy. I am not against the policy being considered and I believe that the Executive and the Government must be in a position to implement such a policy should such an admission of defeat have to be made, but I do not think that—in Scotland, at any rate—this is the time to call for such a policy.

Elaine Murray—I think—was the only person who raised the issue of vaccination last week. I do not think that she got an answer from the minister, which was interesting. I accept that the Executive has to be ready to implement a policy of vaccination and that the committee must be kept informed about the details of it, but I would be worried by any suggestion that the committee should call for the implementation of such a policy.

Cathy Jamieson: When we questioned the scientific experts, I raised the issue of vaccination. It had been suggested that using vaccination as part of the process of containment might be on the agenda. The response that we received was, as Alex Fergusson said, that that would be tantamount to admitting that the present policy had failed. I have an open mind on this subject and have no vested interest, but the people to whom I have spoken on the subject have said that they would not be in favour of implementing a policy of vaccination at this time as the disease has not yet spread outside Dumfries and Galloway, although concern has been expressed in constituencies that border that area, such as mine and Karen Gillon's.

If we are to act on the issue, we should get further information and ensure that we are kept fully up to date with the current thinking. I would be reluctant to call on the committee to express support for one side or another now.

I am not sure that having a parliamentary debate at this stage would do anything but polarise the issue in a way that would be unhelpful to the people whom we are trying to support. We should

get more information, but I think that we should debate the matter in the committee in the first instance.

Mr Rumbles: I want to put it on record that I very much agree with what has been said, particularly by Alex Fergusson. There seems to be a little misunderstanding about the process of vaccination and the implications of non-vaccination. Rhoda Grant rightly said that vaccination in the buffer zone or ring zone—whatever we want to call it—would still lead to the slaughter of the animals concerned. I do not think that it would be useful at the moment to pursue vaccination, for all the reasons that Alex Fergusson outlined, particularly as the outbreak is confined to the south-west at the moment. As 70 per cent of our lambs go for export, a vaccination programme would devastate the industry even more than it has been devastated. I am not in favour of putting such a proposal on the agenda just yet. It would not be helpful to have a debate in Parliament because it would polarise opinion. It should be a case of steady-as-we-go for the moment.

Alex Fergusson: On a purely practical note, and as everybody who has been directly involved in farming will know, there are huge difficulties in carrying out a vaccination policy at the moment. Many sheep are newly lambed and many cows are newly calved, and it is not possible to walk up to a newly calved cow and vaccinate it—cows have to be brought into proper handling facilities. The same applies to sheep. If we were to go ahead with a vaccination policy, we would have to deal with a considerable number of hefted hill flocks. It is virtually impossible to do that in the middle of lambing time. Whatever the other rights and wrongs may be, there are huge practical difficulties.

Richard Lochhead: I think that many of the comments that members have made justify putting the subject on the agenda. There have been conflicting views on what the debate is all about. It would perhaps be helpful for the committee to clarify the issues. All that we want to do is to clarify the arguments; we should not necessarily support one argument or another.

The Convener: That brings me to another point, which will inevitably be sensitive, and which we should consider in the appropriate context: if we wish to consider taking evidence on the matter, we will have to consider the nature of our meeting next week. Prior to the outbreak of foot and mouth, we allocated that meeting to a discussion in private of our report on the Protection of Wild Mammals (Scotland) Bill. We need to consider whether it is appropriate to continue with that meeting or whether there are other issues to which we need to devote our time. I am aware that we

have to make a controversial choice.

Rhoda Grant: Having listened to what members have said about vaccination, I think that if we are seen to move our agenda around drastically to take evidence on that subject, we might give out wrong signals. The worry is that it will be perceived that we are actively considering the option of vaccination. In fact, we are trying to get more information on both sides of the argument. We do not want to apply pressure for vaccination to be considered, but changing a long-planned agenda item might give a signal that that is what we are doing.

Mr Rumbles: I agree with Rhoda Grant. We have already decided to spend our time on the bill, and we have delayed consideration of it so that we could cover the issue of foot and mouth today. This will go down in the *Official Report*—it is important that we stick to what we have already agreed. Everybody knows that we decided to consider the Protection of Wild Mammals (Scotland) Bill in private next week. We should leave matters where they are; I do not think that we should be seen to be moving around all the time, however important the issues are.

Alex Fergusson: I agree entirely. However, having read the farming press at the weekend, I am worried by a letter that has been widely published in the agricultural press. I think that it was written by a constituent of Cathy Jamieson—it is fair to say that that constituent is of mutual acquaintance. Although it misconstrues matters and contains a large misunderstanding of the role of this committee, it is very critical of the fact that the committee meets only once a fortnight.

Mr Rumbles: What?

Alex Fergusson: That was news to me too. The letter suggests that, during the crisis, the committee should meet almost daily. The suggestion is born of a misconception of the committee's role. Although the view expressed in the letter may not gain wide plaudit, it will be widely read among the farming community and may well be believed by many. I believe that we should go ahead with consideration of the bill next week, but I am worried that the writer of the letter will write back with an absolute belter of a letter after we have met to discuss the bill. I wonder whether the committee can do anything—perhaps through the clerk—not to reply to the letter as such, but simply to inform the farming press of the committee's exact role. That is where the muddle lies.

16:30

The Convener: That is a matter of concern. I, too, saw a copy of the letter. There appears to be significant confusion about the function of the

committee. It needs to be made clear that the committee has no function in the management of the foot-and-mouth crisis, and that our primary role is to monitor progress and consider how we might contribute to the debate in the meantime and consider the after-effects of the crisis. The letter confuses the role of the committee in that it describes us as a select committee, whereas we have a combined role, which is equivalent to those of both select and standing committees at Westminster, and we have regular legislative responsibilities. I intend to compose, with the clerk, a reasonable and measured reply, which may educate those who see it.

Fergus Ewing: Plainly, we are all almost totally occupied with foot-and-mouth disease, sometimes in the role of a social worker—contacting people, speaking to them and finding out what is happening. That is a vital role for us. I have received several hundred messages, notwithstanding the fact that I do not represent a constituency that is affected at the moment, thank goodness.

We have to recognise that people expect us to apply ourselves to the task in hand. We do not need to deal with Mr Watson's bill next week. On the other hand, the committee has to discharge its work for Parliament. Therefore, whatever our views about Mr Watson's bill, it is our duty to deal with it.

I therefore wish to make two suggestions. First, I suggest that we arrange an extra meeting of the committee to take evidence as I think Rhoda Grant suggested. That would give us the opportunity to question and test evidence on vaccination. However, if that is not agreeable to the committee and if we cannot arrange an extra day's meeting for that purpose in fairly quick time—we would need to grapple with vaccination within the next week or so, although I will hear any other views on that—my second suggestion is that we postpone consideration of Mr Watson's bill and deal with vaccination in the week ahead. Plainly, we have to consider the priorities of the people who sent us here to represent them.

Richard Lochhead: I do not think that the roof would fall in if we delayed consideration in private of the Protection of Wild Mammals (Scotland) Bill. We have done similar things before and can do it again. We have to change our priorities in the face of foot and mouth, if we think that there is a case for doing so. If the Prime Minister is thinking of changing the general election date, I think that we can change the date of a discussion in private of the Protection of Wild Mammals (Scotland) Bill. We should be relaxed about doing that.

I am concerned that things may change between now and next week. The issues that we want to discuss relating to foot-and-mouth disease may be

even more to the fore. Whatever we agree, we should build in some flexibility.

Dr Murray: It is difficult for me to be disconnected from the situation when considering our options. I have little enthusiasm for discussing the protection of wild mammals next week, when there are pressing issues in relation to foot-and-mouth disease. Because of everything that is happening in my constituency, I find it difficult to concentrate on anything else at the moment. I do not want, however, to concentrate only on vaccination, which is but one issue. We need to consider the measures that have been introduced, the advice on which they were based, and how the strategy will develop as time goes on.

We have been overtaken by events. I know that on Saturday local farmers were distressed to hear suddenly that cattle on farms that are adjacent to the outbreak were to be slaughtered. People felt that their cattle were not getting a chance. They could understand the need for the slaughter of sheep, but they felt that the slaughter of cattle was going too far. A number of questions arise about why decisions were taken to make certain announcements.

I feel that I would benefit from understanding the matter further, although I appreciate that the committee as a whole might be less intensely involved in the situation than I am and feel that it is important to progress with the committee's work.

The Convener: We are at a point where a number of issues have been raised and there are serious questions to which we would like answers. However, there is a concern from some members that the committee's work in other areas should continue. Also, some members are concerned that the situation is so fluid that it might be necessary to consider changing the agenda that has been planned for the committee for future weeks to address the issues that are creeping up on us.

Mr Rumbles: I want to make a suggestion. We need clarity. We should either proceed next week with the Protection of Wild Mammals (Scotland) Bill or we should put consideration of that bill back a month so that we can deal with the issues that are related to foot and mouth. Quite frankly, we need to know now what we will be doing next week.

The Convener: I was going to say that the questions that have been raised will be contained in the *Official Report*, and Richard Davies has been making a note of them. Would it be appropriate for us to try to address the issues in the first instance by corresponding with the relevant department and individuals so that we can better understand the proposals that might be made? Do members, on the other hand, wish to identify witnesses and deal with them at first hand

at the earliest opportunity?

Richard Lochhead: It would be best to decide, as Mike Rumbles said, not to deal with the Protection of Wild Mammals (Scotland) Bill next week, but to replace that agenda item with something about foot-and-mouth disease so that members can express various concerns, including about vaccination. I would like to find out about the collection centres, for instance.

Perhaps, instead of fixing the agenda now, members could e-mail to Richard Davies the questions that they want to have answered and leave it to the convener, the deputy convener and Richard Davies to select witnesses and give members warning.

Mr Rumbles: That seems to be a sensible suggestion. I want to add that, if we delay the agenda item on the Protection of Wild Mammals (Scotland) Bill, I suggest that we kick it four weeks away to give us a bit of space. We might find something next week that we want to pursue, so it would be stupid to knock back consideration of the Protection of Wild Mammals (Scotland) Bill for only two weeks. Do you see what I mean?

The Convener: Yes. Having discussed the matter around the table, are members content to delay the process of dealing in private with the report on the Protection of Wild Mammals (Scotland) Bill for four weeks, so that we can consider how we might construct a meeting that would be devoted to the issues that are raised by the foot-and-mouth disease outbreak? That meeting would be in our normal 2 o'clock slot next Tuesday.

Alex Fergusson: Would that be a proper public meeting?

The Convener: Yes.

Do members agree to that suggestion?

Members indicated agreement.

The Convener: We will enter immediately into correspondence to secure answers to the questions that have been raised and to identify appropriate witnesses who could give evidence about the issues on which the committee requires more information. Although the meeting is being organised at short notice, we will endeavour to keep all members informed at all stages so that comments can be received if necessary.

Fergus Ewing: Over the weekend, I had the benefit of reading two papers from academics and practitioners. I understand that the Institute for Animal Health at Pirbright has already produced academic studies on the outbreak. Members will have seen other academic material. It would be helpful to have the opportunity before next week's meeting to study any authoritative reports that are

available. I shall make available to the clerk the reports that I have received in the hope that they might be distributed, if that is acceptable to the convener. I would also be interested in seeing other reports, because I am aware that the subject is highly technical and that understanding it fully will be important when we question witnesses next week.

The Convener: Are we agreed on that course of action?

Members indicated agreement.

The Convener: We must complete discussion of the statutory instrument that was the motivation for that debate. Are members content with the Export Restrictions (Foot-and-Mouth Disease) Amendment (Scotland) Regulations 2001?

Members indicated agreement.

The Convener: There are two more instruments to consider. They were referred to the Health and Community Care Committee and have been passed to us simply for comment. Do members have any comments to address to that committee on the Restrictions on Pithing (Scotland) Regulations 2001?

Members indicated disagreement.

The Convener: The Specified Risk Material Amendment (No 2) (Scotland) Regulations 2001 are also primarily the responsibility of the Health and Community Care Committee. Do members wish to make any comments?

Members indicated disagreement.

Budget (Consultation)

The Convener: A paper was circulated during lunch time that contains a suggested process that is based entirely on the procedure that we adopted last year. We are open to comments. I am sure that members have not had a chance to read the paper.

Standing orders provide that sufficient time must be set aside for committees to consider the Executive's financial proposals. It is expected that the annual expenditure report will be published on Friday 30 March and we are obliged to have considered it by the end of May. Members will have received a note of the Finance Committee's guidance on the type of questions about which we should think when considering the Executive's statement.

Some limited consultations may be desirable, with a view to considering opinions at our meeting on 24 April. I have suggested some organisations from which we could seek advice, and a list has been passed to members. I suggest that we seek views on the wider impact of the overall spending pattern and a little more detail on the emphasis that is given to research funding, which Elaine Murray mentioned in a previous discussion. Do members agree with that approach and the suggested list of consultees? If so, the clerk will ask each organisation that is listed to let us have its views in time for consideration by 24 April.

Fergus Ewing: The consultees that are numbered one to 10 on the list are being asked to submit views—

The Convener: They have not been asked yet. The list contains suggestions.

Fergus Ewing: A much wider range of bodies has an interest, and some, such as the Road Haulage Association and the Scottish Beef Council, have given us evidence recently on foot-and-mouth disease. They might wish not to give evidence, but to be consulted. Will consideration be given to consulting a wider range of bodies than the top 10 that are listed?

The Convener: Such organisations do not necessarily have a direct association with the finances of the rural affairs department. However, they may have comments that relate directly to it. Do members object to their being consulted in writing?

Members indicated disagreement.

Dr Murray: The thing is that many other bodies of that ilk could be included.

The Convener: Richard Davies intends to finalise the list by lunch time tomorrow. If any

members have other suggestions, we can hear them now or they can be e-mailed to Richard before lunch time tomorrow. Then, the suggestions will simply be added to the list of consultees.

Cathy Jamieson: I note that there is a question about trade union interests. I suggest that the Scottish Trades Union Congress and the Transport and General Workers Union be consulted. The STUC has wider representation in relation to rural development among its membership, but the Transport and General Workers Union has an interest in agricultural and horticultural workers.

The Convener: We can consult them.

Fergus Ewing: What about the councils that are not in the Convention of Scottish Local Authorities?

Richard Lochhead: They are not rural.

Fergus Ewing: Clackmannanshire Council is.

The Convener: The issue is relatively fluid. Do members have suggestions at the moment, or should we conduct a little research to ensure that no one is missed out? We will look into that.

Alex Fergusson: As COSLA's rural affairs spokesman is the convener of Dumfries and Galloway Council, I think that we will get decent input.

The Convener: Are we content with that?

Members indicated agreement.

16:45

Meeting continued in private until 16:50.

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